

Brief observations on a late letter
addressed to the Right Hon. W. Pitt,
by W. Boyd, Esq. on the stoppage
of issues in specie by the Bank of
England.

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BRIEF OBSERVATIONS

ON

A LATE LETTER

ADDRESSED TO

THE RIGHT HON. W. PITT,

BY

W. BOYD, ESQ. &c.

ON

THE STOPPAGE OF ISSUES

IN

SPECIE

BY

THE BANK OF ENGLAND,

&c. &c.

CONSILIA QUI DANT PRAVA CAUTIS HOMINIBUS,
ET PERDUNT OPERAM, ET DERIDENTUR TURPITER.

Phædr. Fab.

LONDON,

PUBLISHED BY J. DEBRETT, PICCADILLY.

1801.

BRIEF OBSERVATIONS,

&c.

ON THE

STOPPAGE OF ISSUES IN SPECIE

BY THE BANK OF ENGLAND,

THERE are no subjects that should be treated with so much caution as those connected with public credit, because there are none which are more susceptible of delusive and dangerous theories.

The race of calculators and financial theorists are very numerous; and the Treasury Chambers would not be suffi-

ciently capacious to contain the various plans that have been presented there, for the instruction of the Minister in the various departments of loans, taxes, lotteries, as well as every branch of the revenue ; and that centre of attraction to enthusiastic accountants, the payment of the national debt.

The mention of the last important object brings to my recollection a curious anecdote, which may serve as an example how to treat the far greater part of political projectors. A person of that denomination having presented a scheme to Archibald duke of Argyle for the discharge of the national debt, his Grace informed him that he himself, as well as the nation, was encumbered with heavy debts, which if the

projector would contrive to discharge from his estate by way of experiment, he would not fail to recommend him, with all his power and influence, to the notice of Ministers.

The science of finance is so remote from ordinary attention or pursuit, that it is but little known. It is, indeed, of a nature to require an apprenticeship, in order to get a complete insight into it, especially in its present complicated state. It, therefore, too often happens, that any statement of it, however fallacious, which is so contrived as to be made intelligible to the bulk of the people, is greedily seized, believed, and, for a time, promulgated.

I scarcely know which to condemn

the most, the attempt to make the people believe that every thing is right when every thing is wrong, and thereby prevent them from making preparation against the ruin that is about to fall upon them ; or the design to make every thing appear wrong when every thing, in reality, is right, and thereby create a fatal despondency in the country, as well as encourage the hopes of its enemies. It is not necessary, in this place, to discuss such an abstract question ; but at the same time I shall not hesitate to declare, that Mr. Boyd's Pamphlet completely answers to the latter part of it. Its professed object is to prove that Mr. Pitt has been pursuing a ruinous system of finance, and that the Directors of the Bank have erred in the management of the great deposit of

public credit committed to their charge. These are two very heavy accusations, whose tendency is to lessen the public confidence in the Minister, and in the Bank, at a time when it is so essentially necessary to the salvation of the country, and perhaps of Europe. Nay, Mr. Boyd himself acknowledges, that if he were not conscious of a remedy for the evil, he loves his country too well to have unfolded it to public view.

I agree with him, as a general idea, that if opinions or arguments are not well founded, they cannot make a lasting impression on the public mind; but a temporary impression that is erroneous may be attended, in public as well as in private affairs, with very mischievous consequences, before the

delusion is done away. Besides, if Mr. Boyd, as I am disposed to believe, has deceived himself, may he not also deceive others? and does he not know that every member of Opposition, and every enemy of the country, both in and out of it, will endeavour to support his theory, because it tends to inculcate Ministers, to suggest suspicions of the Public Credit, and perplex the operations of Government, by promoting popular discontent?

I know not whether it will flatter his vanity; but he must know that his book will be read with avidity in France; and it may probably produce hopes in that country, which, I trust, he does not wish to inspire: for he has stated, if I understand him right, that

the present state of paper circulation will bring on the ruin of Great Britain, unless the all-saving remedy which he suggests is applied ; and he cannot but know, both from past experience, as well as the existing opinions of the Minister and the Bank of England, that the application of his remedy will not be adopted. He must, therefore, have completed the syllogism in his own mind, and consequently looks forward to the downfall of his country.

Such is the corollary resulting from his pamphlet, on whose general topics I now propose to offer a few brief, but, I trust, conclusive observations.

Mr. Boyd lays it down as a principle, that the high price of grain, and the ad-

vance in other necessary articles of life, is to be attributed to the increase of the paper currency, from the additional quantity of notes thrown into circulation since the year 1797. To the same cause he refers the loss in exchange with the Continent, and the advanced price of gold.

He states, that, in the year 1795, the paper-circulation of the Bank was 14,975,573l. ; and that the Bank reduced it, in the year 1797, to 8,640,250l. This diminished circulation being severely felt by many mercantile houses in the city, a memorial was presented to the Minister, in which Mr. Boyd took an active part, remonstrating against the conduct of the Bank, and suggesting a plan for the support of

public credit, independent of it. The proposition, however, was not adopted; but the Bank, either taking alarm, or finding that the reasons for continuing the diminution no longer subsisted, gradually extended its credit, so that in the year 1800 it amounted, as appears from the account delivered to Parliament, to 15,450,070 l. the difference, in the course of five years, being 3,475,307 l.; and this sum, according to Mr. Boyd, is the monster which has devoured our harvests: it is to this increased circulation he attributes the exorbitant rise of provisions, as well as every other concomitant mischief. Few people, indeed, have formed an adequate idea of the extent of the evil: for it may be proved, by a very simple calculation, that

the increased price of bread alone, amounts, in the consumption of fifty-two weeks, to upwards of twenty millions above the ordinary expenditure of common years.

If we suppose each individual, according to the proclamation, to consume one quartern loaf in a week; that the advance in the price of such loaf is one shilling above its general rate in years of plenty; and that the population of England amounts to eight millions; that number, at one shilling per week, or 2l. 12s. per annum, will produce the enormous sum of twenty millions eight hundred thousand pounds.

When Mr. Boyd had made this strong assertion respecting the augmented cir-

circulation, he ought to have proved the truth of it. It became him to ascertain that the circulation is actually overcharged ; that is to say, that there have been any persons in possession of Bank notes, without being able to convert them into property, either of an active or passive nature. This is the real test of the truth of his opinion ; and as no complaint of that nature has hitherto been made, it may be reasonably presumed that no greater quantity of notes have been issued than the circulation absolutely demands. Nor can Mr. Boyd, I believe, point out a single instance in which any one has sustained an injury by such issues.

It is necessary to call to the recollection of those who consider this im-

portant subject, that the Bank of England never issues a Bank-note without receiving the full value of it ; which value must consist of specie, or some other security producing an advantage to the Bank, and thereby increasing the security of the note issued. It must also be considered, that the prohibition of Government, to the Bank, to pay its notes in cash, so wisely, and, as I conceive, beneficially adopted at a very critical moment, possessed a direct tendency to increase the paper in circulation ; for, as all the Bankers, as well as the Bank itself, refused cash, and the Nation found a great convenience in the small notes, the Bank consequently became the repository of great part of the specie in circulation ; and as the Directors were prohibited from issuing it, the conse-

quence is, that it must remain there, to represent the paper dispersed into circulation.

When all the various circumstances are considered, which during the last three years have tended to increase the circulation of the Bank paper, it is rather a matter of surprise that it has not been pushed to a much greater extent.

Since the year 1797, 168,946,920l. have been added to the national debt, whose annual interest necessarily required a large addition of Bank notes, which must naturally increase the circulation. The trade of the country has likewise been greatly augmented, by the

conquest of some very valuable colonies on the coast of America.

The real scarcity of provisions, which is chimerically treated by Mr. Boyd, has also, by the very advanced prices arising from that circumstance, tended to increase the circulation. Now, when a fair statement is made of all these occurrences, and a deduction added of the proportion of specie received into the Bank, out of the increased issue of 3,475,307l. the balance will appear to be very small indeed; and the phantom conjured up by Mr. Boyd's financial imagination, dissolves in air.

But while Mr. Boyd dwells on fancied evils, or suffers his imagination to

exaggerate beyond all probability some of those which really exist, he passes over the dearth of grain with a degree of calmness that might not be altogether expected from a person, who seems to be prepared to unfold the distresses of his country : for he cannot be ignorant that the value of the imports of various kinds, during the last twelve months, have amounted to seven or eight millions sterling ; and as grain in every part of the world is a ready-money article, it required the most prompt mode of payment. Besides, as grain has been collected in every quarter where it could be obtained, and as the farmer must be paid in cash, an increased demand for specie or bullion was the natural consequence. The subsidy to the Emperor, amounting to se-

veral millions, must be also thrown into the scale, and neither of the circumstances have been noticed by Mr. Boyd ; so that the present high price of gold appears not as an irregular, but as a natural and obvious consequence. Nor shall I be easily persuaded that these are not more reasonable and satisfactory causes for the increased circulation of notes, than the stoppage of payment in cash at the Bank.

Any man who is the least acquainted with trade must know, that, were the Bank to unlock its chests, and supply the specie which they contained, to be sent abroad, the immediate effect would be the lowering of the exchange. But Government is not always to receive the dictates of the Royal Exchange.

In the issue of Exchequer-bills in 1793, Mr. Pitt acted in direct opposition to the Mercantile opinion of the City of London ; nevertheless that important and saving measure was crowned with complete success. But the ingenuity of people in trade is ever in a state of exertion ; and when there is a loss on gold, merchandize will be employed to supply its place, consequently commerce will be proportionably advantaged.

The exchange with foreign nations is always fluctuating, and it is more than probable that in six months it may be as much in favour of Great Britain, as it is now against it. Indeed there can be little doubt of such a favourable event, if, by the blessing of Providence,

the ensuing harvest should be crowned with abundance. When the outgoings of cash for the purchase of provisions begin to subside, such is the universal extent of our trade, the nations of Europe must be tributary to Great Britain.

In the present circumstances of the country, Government acts with a wise precaution in reserving as much specie as it can collect, for the service of the State; as it is impossible, in the present extraordinary and eventful period, to foresee what unexpected exigencies may arise. The Directors of the Bank of England will not, I believe, be influenced by Mr. Boyd's elaborate pamphlet, to disperse abroad any portion of the specie under their controul; nor

would the Minister, I am certain, be induced, from the arguments contained in it, to advise such a measure. But though there is too much good sense in the country to be alarmed at the frightful picture which Mr. Boyd has drawn of the state of our finances, our foreign as well as our domestic enemies may rejoice to hear that the nation is ruined by the Bank of England.

He produces an example of the bad effects of its conduct, by comparing it with that of the Caisse d'Ecompte at Paris, whose failure is well known. It was a public Bank, divided into shares, with a capital of 100,000,000 livres Tournois, equal to 4,375,000*l.* sterling, and having in circulation notes to the amount of nearly as much

more. But without considering the nature and character of the two countries, as well as the vast difference in their political constitution, he attributes the weakness, folly, and ruinous principles of the French Pigmy, in a country with little comparative commerce, and without liberty, to the Colossus of the Bank of England, possessing the greatest commerce in the world, and the only residence of liberty and security on the face of the globe.

There is a singular originality in Mr. Boyd's notion, which may strike ignorant minds: it possesses some portion of novelty; and there are numbers among us, who, like the Athenians, as they are represented by an apostolic

writer, are fond of any new thing: there is also something alarming in it, and may make certain weak people tremble for their property; nay, it may furnish matter of triumph for the French gazettes—and I expect to see Mr. Boyd's opinions retailed in every page of them, for the consolation and encouragement of the enemies of Great Britain. But I do not believe that all his reasonings will lessen the value of a Bank-note, and that the circulation will be impeded for a moment, or in a single instance, by his depreciating arguments.

At the same time, I do not treat such a production as that which I have considered without some degree of apprehension. Every man who looks

into the world will perceive the pernicious effects of plausible doctrines, fallacious reasonings, and bold opinions; that people are continually hurried away by false impressions, which are frequently attended with mischievous consequences before they can be dispelled.

The mischief cannot be forgotten that was done by Doctor Price, in his financial works, at the time they were published, though they are now considered as waste paper. They appeared during the American troubles, were translated into the principal languages of Europe, and disseminated through every part of it, in order to encourage the enemies of England with his view and opinions of the ruinous

state of its finances. The late Earl of Stair also published, in the last years of the American war, a less complicated, more intelligible, and not less plausible statement of the increasing debility of public credit, and the probable failure of our resources to continue the contest in which we were engaged. His Lordship's pamphlet was in the possession of every American in France, and on the Continent; and I have heard it read aloud in French, at a table d'Hôte in the low countries, to the great delight of the enemies of the country of its noble author.

What motive of patriotism or public good could induce Mr. Boyd to publish his treatise, I am at a loss to imagine; and I have considered it in every pos-

sible way, in order to find a plausible excuse for it. On the contrary, his experience must suggest to him, or I have formed a very wrong notion of his sagacity, that it might be attended with obnoxious consequences. As a private communication to the Minister, it would not have been altogether improper, though at present it must have been superfluous, because the contents of it had been represented to Mr. Pitt, as Mr. Boyd informs us, both in writing, and by personal communication, at the only time when they could have been of importance or utility ; and I doubt not they received all the attention due to the financial reputation of their author, before they were rejected.

I shall not here attempt to analyse Mr. Boyd's motives to this publication; but whatever they may be, was it possible for him, in the vainest moment of his financial calculations, to imagine that he could change a system which has stood the test of three years, to the entire satisfaction of the nation at large, and with the encouraging support of seventy great banking-houses, and all the leading commercial companies in the kingdom? I can also ask, with some degree of confidence, if any complaint has been made to Parliament, to the Minister, or the Public, of any injury sustained by the adoption of a measure, which is reprobated, condemned, and criminated, through an hundred and eleven pages of his pamphlet. If there is any fallacy in the

system, or if it possesses a chronical danger, is it to be supposed that so many, and such large bodies of individuals, apprenticed, as it were, to the vigilance and attention necessary for their own interests, would not have discovered and declared it? Are not the monied and mercantile men satisfied both with the conduct of the Bank and the Minister respecting the measure in question? During the course of its operation, has not the funded property risen upwards of ten per cent.? Have not the taxes during the same period, and which are the heaviest ever levied in this country, been submissively borne, and, in general, loyally paid? Have not our imports and exports increased beyond all example and expectation? And will any one, then, venture to tell

me, or at least expect me to believe his assertion, that the increase of circulation, and the sterling solidity given to paper-issues from the Bank, have been attended with injurious consequences to public credit, and, if not corrected, must prove fatal to the public prosperity;

When a British subject presents to his country such a Work as is now before me, in which both Government and the Bank are attacked with so much seriousness, and at a time when, if it does no harm, it cannot do any possible good, it is natural to inquire who the author is, what have been the circumstances of his life, and with what views he ventures to attack the finance and credit of his country:

Mr. Boyd, according to his own account, was an eminent banker at Paris; and, having been a considerable sufferer by the Revolution, may be supposed to have large outstanding debts in that country: it is not improbable; therefore, that, when peace shall be re-established, he may entertain a design to renew his former business in the capital of France. He may, perhaps, have made an application to the Minister to be employed as an agent there, or have requested permission to go thither on his own private affairs. He may also have been refused a compliance with these propositions, and, already dissatisfied with Government, may feel his resentment heightened by such refusals. At all events, the Public has a right to form its own notions respect-

ing the object of such a production : and it may possibly inquire whether it proceeds from the zeal of patriotism, or a spirit of resentment.

I do not mean to use any expression beyond what I feel absolutely necessary, to declare my disapprobation, not only of the doctrines advanced in Mr. Boyd's pamphlet, but of the publication of them in the present critical situation of the country. My wish is, if possible, to avoid every thing that might wound his private feelings, as I know him to be esteemed by those who live in the habits of intimacy with him ; and that on the late very trying occasion, with which every one is acquainted, he acquitted himself with honour.— Indeed, as he

he appears to attribute his misfortunes, in a great measure, to the Bank and the Minister, some allowance may be made for a man, like himself, smarting under the severest stroke of misfortune, if, in discussing the causes of it, he manifests something like an exasperated spirit : but though the severity of personal reproach may be lessened by such a consideration, the actual mischief arising from his conduct, whatever it may be, is not lessened by it.

Mr. Boyd may be perfectly satisfied with the reasons which have induced him to contend for schemes of finance that have not been adopted ; and I am ready to acknowledge, that, in the affairs of this world, wisdom is sometimes thwarted in its designs ;—but I

have not the disposition to look for, or the sagacity to discover, errors or false principles in those measures, whose practical operations have been crowned with success.

THE END.











